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BSE Limited
Listing Department,
P J Towers,
1st floor Dalal Street.
Mumbai 400 001

Scrip Code: 532772

National Stock Exchange of India Limited
Listing Department,
Exchange Plaza, 5th floor, Plot No. C/1,
G Block Bandra – Kurla Complex,
Bandra (East), Mumbai 400 051

NSE Symbol: DCBBANK

Dear Sirs,

Re: Transcript of the Earnings Conference Call held on July 31, 2025

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Earnings Conference Call held on July 31, 2025 with respect to the Unaudited Financial Results of DCB Bank Limited ("the Bank") for the quarter ended June 30, 2025. The same has also been uploaded on website of the Bank and can be accessed at the link given below:

[244. Transcript of the Earnings Conference Call held on July 31, 2025.pdf](#)

This is for your information and record.

Thanking you,

Yours faithfully,
For DCB Bank Limited

Rubi Chaturvedi
Company Secretary &
Compliance Officer

Encl: As stated above

DCB Bank Limited

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DCB Bank Limited
Q1 FY 2026 Earnings Conference Call
July 31, 2025

**MANAGEMENT: MR. PRAVEEN KUTTY - MANAGING DIRECTOR &
CEO, DCB BANK LIMITED
MR. SRIDHAR SESHADRI – WHOLE TIME DIRECTOR –
DCB BANK LIMITED
MR. RAVI KUMAR – CHIEF FINANCIAL OFFICER –
DCB BANK LIMITED
MR. AJIT KUMAR SINGH – CHIEF INVESTOR
RELATIONS OFFICER – DCB BANK LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the DCB Bank Q1 FY'26 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*,” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Praveen Kutty, Managing Director and CEO. Thank you, and over to you, Sir.

Praveen Kutty: Thank you very much. Good evening, everybody. I will give you a short commentary on the results and then we are happy to take questions.

I want to tell you that in keeping with our ethos of consistent, predictable, and sustainable performance, I am happy to inform that we have grown the deposits by 20% and assets by 21% Y-o-Y. This is the fourth consecutive quarter where we have grown the balance sheet by 19% to 20% Y-o-Y. What is even better is that the bottom-line is also growing in line with the top-line, the bottom-line is growing by 19.72% in Q1.

This is a quarter where we had many firsts. Our operating profit of Rs. 327 crores was highest ever and not just highest ever in Q1, but highest ever in any given quarter. Our fee of Rs. 236 crores is again the highest ever. Of course, it had some one-timers, but what is of equal interest is that the core fee income has registered Rs. 124 crores, a 17.5% increase from the previous Q1.

Our operating revenue growth of 28% and our operating cost growth of 13% has shown that the jaws that we command, the operating leverage that we command of 15%, is the highest in the last four years. Going ahead, we thought it was prudent to take accelerated provisions during this quarter. The entire NPA stock of March 31, 2025, of MFI and unsecured DA has been 100% provided in Q1.

We are also happy to inform you that despite the three rate cuts across this year financial year, adding up to 100 basis points reduction, our NIM reduction over Q4 was 9 basis points. Some seriously good work has happened on the cost of fund and cost of deposit front.

On the improvement side, our slippage ratio has crept up. This is on account of three items, two of which were obvious. And one which was kind of surprising. There has been a higher slippage on MFI and unsecured DA, both of which we were aware of and that is not a surprise.

What really was a surprise was the small ticket secured DAs that we have taken, have taken a higher-than-normal flow into NPA. As you all know, we do DA and PTCs, DAs more as an experiment to figure out, it is a sandbox to us. We figure out what works, what does not work. And then it gives us the ability to test, validate and either reject or go ahead with a proposition. School finance that the bank launched was an ideal example of that.

So, that exactly is where we are on the commentary on Q1. Happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Akshat Agrawal from SMIFS Institutional Equities. Please go ahead.

Akshat Agrawal: Good evening, Sir. Thank you for the opportunity. The first question is on asset quality. Aside from the MFI and unsecured DA, there seems to be uptick in gross NPA ratio for mortgages as well. So, is it from the legacy mortgages in FY'23 where sourcing was not very good which were flagged in previous quarter?

And do we see credit cost to be maintained around like current levels at 60 basis point, or will it go back to 45 basis points to 65 basis points? Further on PCR, provision coverage ratio, it fell down by 3%. And so is it just all these expected provisions and bad loans or is something else? That is my first question, sir. I have a few more. Thank you.

Praveen Kutty: Hi Akshat. So, let me answer the first question first. The bank has taken accelerated provision, primarily on MFI and the unsecured DA and the secured DA also. So, the secured DA frankly shows up in mortgages. So, if we had not taken our accelerated provision, our credit cost would have been in line with what we demonstrated in December' 24 and March'25, so it will be in the same range itself. So, the reason why the accelerated provision has taken is that we thought it would be more prudent. I am not sure about the MFI recovery ability, so it makes sense for us to cover the exposure that we have through accelerated provisions in the beginning of the year itself.

The second part on the PCR, the reduction is primarily on account of write-offs that we have done. Every year we write off somewhere between Rs. 100 crores, Rs. 200 crores. Last year I guess it was about Rs. 120 crores of write-offs that happened this year I think it is about Rs. 173 odd crores of write-off, technical write-off, let me clarify, technical write-off that we do, which is the reason why the PCR has come down. What is of equal relevance is that our PCR otherwise is 74.04% for the quarter, a 44-bps reduction from what it was in March of this year.

Akshat Agrawal: Right, sir. So, on the credit cost, just a bit, any guidance .

Praveen Kutty: Yes. Akshat, on the credit cost, thanks for reminding me. On the credit cost, what will the future look like? The future, it will neither be 60% nor will it be within the 45 basis point to 55 basis point, we expect it to be below 40 basis point.

Akshat Agrawal: Great, Sir. Thank you. In terms of core fee income, while it is a Y-o-Y growth, it has declined sequentially. And in last eight quarters, there like for seven quarters it had a sequential expansion. So, is there some seasonality now which is creeping in where 1Q is weak versus the rest of the quarters? And what is the average fee run rate we should look at? Is it like Rs. 135 crores this quarter or more like Rs. 160 crores which was in the last quarter? Thank you.

Praveen Kutty:

I will answer the first part and leave the second part, because I do not want to comment on the immediate next quarter what the number is. But what is important is that the core fee income has got third-party distribution gains, it has got processing fees. So, these are two of the parameters. Usually Q4 of a year has got a significantly higher contribution from third-party distribution.

Also, the net disbursements in Q1 are usually less than the net disbursements in Q4, resulting in PF being of a lower nature. So, the right indicator for that is compare the quarter with the corresponding quarter of the previous year. I am not sure that it is really quite feasible to replicate the Q4 TPD income in the subsequent Q1. So, core fee income, we are very confident, should grow in line with the balance sheet, slightly less than the balance sheet.

And secondly, treasury incomes and one-time incomes are not forever. So, we have a solid plan on ensuring that the trade-free income, which is recurring in nature and sustainable in nature, will over a period of time cover for the one-timers as and when they vanish.

Akshat Agrawal:

Right, Sir. Thanks for that. And just one, if I can squeeze in a question or two. For costs, the bank continued to perform well on costs, with PPI now at 60%. Our employee expense sequential growth was elevated despite headcount reduction. So, if you can provide some insight on that. And in terms of branches, there was only one branch addition during the quarter, what is the plan for the rest of the year? And are we seeing any productivity benefits besides the headcount reduction and slowing down of branch expansion? That was my question. Thank you.

Praveen Kutty:

Thanks, Akshat. So, on productivity increases, clearly between last year and now, we have reduced our headcount by about 800 odd people. And we have been growing by 20%. So, effectively that is resulting in higher productivity. Plus, there are a lot of technology gains, etc. So, our front-end LOS systems across multiple products have not only been modernized, but also been made into mobile. So, quite a lot of non-productive work has gone away with the advent of technology. So, that is helping us reduce the operating cost.

Why has the staff cost gone up? Well, people do deserve a hike and a bonus, and that happens in Q1. So, obviously, it will be on the higher side. But remember, we have brought down the cost to income ratio by over 700 bps, corresponding quarter to the current quarter of last year. So, that is a 7% reduction, which you see on the cost to income ratio. On the cost to average assets, we are at 2.52%. The stated objective is to be below 2.5%, and we can clearly see a roadmap to that.

Akshat Agrawal:

Thank you for that. Sir, last question on loans growth. Sequential loans growth is coming from actually co-lending, gold loans, corporate banking, as well as mortgage under AIB. You are looking to slow down co-lending to balance sheet growth, and corporate lending is generally not a focus for you. So, if you could provide some insight on what will be the major drivers of growth going forward?

Praveen Kutty: I would like you to take Page Number 21, update on advances. There you can see that we have done IBPC of close to Rs. 1,500 crores. So, had we not done the IBPC, you probably would have seen an asset growth in excess of 25%, 26%.

Akshat Agrawal: Right, Sir. But I am just wondering to just follow up on that, the co-lending growth, I mean, is there a plan to slow down that?

Praveen Kutty: So, on co-lending, the co-lending book will be 15% of the bank's book, that we are very clear on. What we have done in Q1 is clearly to focus on shorter-term loans, fixed rate loans. And the reason for that is very simple, with rate cuts coming through, we wanted to focus more on short tenor loans and on fixed rate loans, which basically meant that we could do the 15-year, 20-year loans post the impact of the full rate cut of what we currently know.

So, in April and May, there has been more focus on gold loans and co-lending. And after the entire 100 basis points has been passed on, you would see that there is incremental uptick on the longer-term loans that the bank gives. Most of the corporate loan disbursal that you see, compare it with the actual growth, the actual growth is only Rs. 200 crores, even though disbursal is about Rs. 1,200 crores, okay? So, we are focusing on the shorter term in the first quarter, but that will change. That is a very practical move at the time of multiple rate cuts coming through on what is essentially a floating rate book.

Akshat Agrawal: Thank you very much for answering all my questions. All the best. I will rejoin the queue.

Praveen Kutty: Thank you.

Moderator: Thank you. Next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Good evening, Sir. Thanks for the opportunity.

Praveen Kutty: Hi Rohan.

Rohan Mandora: Hi, sir. Just touching upon the asset quality piece. The slippage that we have taken this quarter on the segment that you alluded to, is there any overdue book which is still pending to slip in second quarter? And overall, at a bank level, how should one look at the slippages for the rest of the year?

Praveen Kutty: So, the way you should look at it is that the DA book which the bank has is a limited book. And within that, the small ticket size book, the Rs. 2 lakh to Rs. 6 lakh loans, given a secured lending, is an extremely small book. So, if the same trend were to continue, then the impact on the overall credit cost, like I said in the previous discussion, would be low.

On the unsecured book, just want to repeat in case you have not heard it earlier, we have taken 100% of the provision of the unsecured book, which basically is the MFI book and the unsecured

DA that we have as of March 31st. So, incrementally aging provision on that will not come in. What fresh flows happen in Q2 and Q3, there is a possibility of that book flowing through. But because the volumes are not large, the impact of the credit cost will not be much.

The DA book that we have is actually for experiment, it is where we try out different things. We do unsecured business lending, we do school finance, we do various things which we do not do, there is a component of commercial vehicles. So, there are multiple asset products that we do under the DA program. It also tests the locations as a understanding of the business and understand the credit behavior of certain geographies where we are not present.

So, that is a logic of doing DA. What is surprise for us is that for the first time you are seeing the small ticket secured lending, not organic, organic has absolutely we do not have that book so we do not know. But in the small ticket DA lending we see the pains coming in, which is very similar to the unsecured lending book and the MFI book.

Rohan Mandora:

Sure. But just to understand the thought process here, see, if we go back into history last five, six years, we have experimented with several products and we have seen asset quality slippages coming in from those segments which are disproportionately higher than the overall book that we see. And as you rightly alluded to, the core book has been performing fine. So, why are we keeping on experimenting on these things when it keeps hurting us on a recurring basis?

Praveen Kuty:

So, we have a KCC book, which is about 3%, 4% of the entire book. The industry has got practically double digit NPA. Ours is a very, very well run book. We have a school finance book which is close to about Rs. 700 crores book, which is again an extremely well run book. So, these are different products that we have benefited from.

And I think that is the right way to go instead of going it like the way we did with CV. We went headlong into commercial vehicles and took up a beating on that. So, the right way to do it is test, validate and scale or ditch based on DA performance, because you are doing small, you are doing originations which are in different locations and then using that, pick up the ones which are working very well and building on it.

Rohan Mandora:

Sure. Sir, what were your total outstanding under DA book?

Praveen Kuty:

I do not think that is something which is shown. What you see on page number 21 is what is being shown.

Rohan Mandora:

Okay. Sure. So, second was on your movement on yield on advances. So, the ratio has come off by 30 bps Q-on-Q, but if you look at the interest on advances, that is up 3.3%, despite loan group being sort of flattish this quarter. So, how do we reconcile these numbers?

Praveen Kuty:

So, on the first part, the flattish loan book, you just look at page number 21, there is been an IBPC of Rs. 1,500-odd crores. So, that does not make it so flat, right.

- Rohan Mandora:** So, this IBPC of the entire amount happened towards the fag end of the quarter?
- Praveen Kuttu:** It happened during the quarter. Actually, the majority of it happened during the quarter. So, it is not flat. What was the second question?
- Rohan Mandora:** Sir, the yield compression that happened of 30 bps Q-on-Q. And if you look at the interest income in absolute terms, it has gone up by 3.3%. So, the delta is almost 6% if we adjust on the yield and the interest earned. So, how do we reconcile these two numbers?
- Praveen Kuttu:** What you are seeing as flat is not flat, flat is two endpoints. So, you make money on the assets that are there during the quarter.
- Rohan Mandora:** Got it. And on the repo transmission, how much of that has been passed on to the borrowers?
- Praveen Kuttu:** Whatever is legally supposed to be transmitted has been fully transmitted.
- Rohan Mandora:** So, we do it on a T-plus one basis?
- Praveen Kuttu:** We do it as per norm.
- Rohan Mandora:** Yes. Right. So, like some banks do it on T+1, someone one-third, one-third every month, and some on the end of the, say, quarter or something like that. So, what is our transmission policy?
- Praveen Kuttu:** It is a standard policy. There are four calendar quarters, and based on which we pass it on. Pass it on or hike it up depending upon how the rate movement is.
- Rohan Mandora:** Sure. Got it. And finally, any guidance on the loan growth and NIMs for the full-year?
- Praveen Kuttu:** See, the last four quarters we have been growing by what you have seen and that is the reason why it should not be any less than that, both on the deposit side and the loan side.
- Rohan Mandora:** Okay. Sure. And anything on NIMs?
- Praveen Kuttu:** We are very happy with the way that we have managed in NIMs so far, despite the yield going down by what you said, despite the repo rate cuts of three tranches, there has been a 9 bps drop. Will that continue? We are doing what it takes on the cost of fund and cost of deposit front to ensure that the NIM impact is minimized. So, that work is continuously on and it will continue happening whether there is a future rate cut or not. And we still are growing the liability book by 20% and we still are keeping the top 20% well below 7%.
- Rohan Mandora:** Got it, sir. Sure. Thanks a lot.
- Praveen Kuttu:** Right.
- Moderator:** Thank you. Next question is from the line of Sanjay from Bastion Research. Please go ahead.

- Praveen Kuttu:** Hi Sanjay.
- Sanjay Ladha:** Hi sir. Yes, hi sir. Thank you so much. Sir, my question would be on loan book side. So, over the last 10 quarters, sequentially, we have grown our loan book by approximately 5% Q-on-Q. And you have explained that because of IBPC, the growth was not there. So, could you explain more on to that, what has been changed? And does it has a BT out in our case or a pre-payment sort of thing? Or I am thinking on a wrong line, then can you explain me on that side?
- Praveen Kuttu:** Essentially, IBPC is used to ensure that the NIM impact is managed better. We have, basically, PSL as well as non-PSL IBPC is there. We get a very decent rate on it and which helps the NIM in the IBPC tenor. So, that is the reason why we did it. The important thing at that point in time was to use all the means to reduce our cost of deposit and cost of borrowing. So, one of the items that is on the agenda was IBPC, it will come back at the end of the tenor. So, it made the perfect sense for us, and the price was right, so we are comfortable with it.
- Sanjay Ladha:** Sir, since we are saying that over the years, we will grow at 20%, that is excluding IBPC?
- Praveen Kuttu:** No, when we say we will grow, we will grow. There is no excluding, including. We will grow.
- Sanjay Ladha:** Okay. And, sir, my another question would be on, as you already said that the credit cost would be in the range of 40, 45, below 45 basis points, or 40 basis points over the year, below 40 basis points over the year. And this impact has been, so the Q1 has been, you have largely included all the MFI and unsecured loan books. So, over the years, over the quarters, there will be no further incremental cost which are incremental provision moving on to that book? Right?
- Praveen Kuttu:** Going forward, theoretically, you will have because there could be fresh flows happening. And to that fresh flow, you will have to take the incremental provision which is required. What I want to clarify is, in Q1 we have taken full provision for all unsecured and all MFI book, all unsecured DA and all MFI book as of March 31, 2025. So, there are incremental flows going to happen in Q2 or Q3 or Q4, we will have to take incremental provision for that.
- Sanjay Ladha:** So, sir, largely, sir, in the previous concall we have said that since we are a secured private lender, and largely our book, the recovery over the quarters has been quite strong once things have been taken into the slippages part of this. That thing you are saying for after two quarters or beyond that, or this book has been quite lumpy on that side, and could not comment right now? What is the sense we should take on?
- Praveen Kuttu:** The sense I want you to look at is that we are not changing our guidance on overall credit cost. What we usually say is between 45% to 55%. I am saying that going forward, we should be below 45% on credit cost for the next oncoming quarters.
- Sanjay Ladha:** Right, sir. And, sir, on the fee income, we are already saying that as we are moving up, it would be upwards of 1% of the asset side, right?

Praveen Kutty: Average assets?

Sanjay Ladha: Yes, yes.

Praveen Kutty: Yes.

Sanjay Ladha: Okay, sir. Thank you. I will come back in the queue. Thank you.

Praveen Kutty: Anytime.

Moderator: Thank you. Next question is from the line of Chetan Ginjodia from Mahindra Manulife Mutual Fund. Please go ahead.

Praveen Kutty: Hi, Chetan.

Chetan Ginjodia: Yes. Hi, sir. Sir, I just wanted to understand, what is the total quantum of this DA book? And also, the total unsecured exposure we have? The unsecured exposure is just the MFI part, or is there any other unsecured MFI portion?

Praveen Kutty: So, the entire asset the bank has, Chetan, is given on Page number 21, okay? So, you can have a look at it. That gives you a good understanding of what are the various products that we have. And by looking at the Name itself, we can figure out which one is secured and which one is unsecured.

If you want to be specific, MFI, we have a Rs. 625 crores book, which is lending to MFI institutions. We have an Rs. 500 crores book, slightly less, maybe Rs. 499 crores book, which is lending through BCs, these are to JLG customers who are being given to the business correspondents that the bank has. Then we have a personal loan book on retail banking of Rs. 271 crores, right. And there is a mixture of that in the others, which is the miscellaneous we will have about, all the others are clubbed into that, some very small portion will come there.

Broadly this is the book which is unsecured in nature. And a proportion of this, whatsoever was NPA as of March 31st, we told it was prudent to take it. We had a choice not to take it also, but we said, look, it makes sense, it is more prudent to take it. And if recoveries come in, work is continuing to happen, if recoveries come in, great, it helps going forward.

Chetan Ginjodia: Okay. Got it. And those fresh slippages that have come this quarter, can you help us quantify which segment, what quantum of slippages we are getting?

Praveen Kutty: So, I will give you a kind of a broad-brush understanding. Mainly it has come from MFI, which is understandable, unsecured DA which we had kind of geared up for. What is a surprise for us is that within the secured what you see in the mortgages book, there is a secured DA book of Rs. 2 lakhs to Rs. 6 lakhs and Rs. 6 lakhs to Rs. 10 lakhs also. These are areas where organic lending does not happen, where we are seeing pains.

So, these are originated by somebody, by certain NBFC/HFCs, where we have done a DA with them. And we are finding that, that is a bit of a surprise that there is a deterioration. And these are cherry pick pool, mind you, these are hand-picked, cherry-picked customers, which are in the DA book, where the performance has deteriorated in the last quarter.

Chetan Ginjodia: Okay. And is there an incremental risk of this particular section to further escalated and give us more slippages in the coming quarter?

Praveen Kutty: It may, but the fact is, like I mentioned in the call earlier, I do not expect the credit cost to be at the higher end of our guidance also.

Chetan Ginjodia: Okay. Got it. And just lastly, any plans on capital raising? Because given our aspirations for growth rate, we will be consuming our Tier 1, so any changes that have happened around that front will be helpful.

Praveen Kutty: Chetan, this may sound flippant, but it is a fact, okay. It may sound flippant to you, but it is an absolute fact. In the last one year, we have grown 21% assets. And our Tier 1 has increased by 20 bps. Are you with me?

Chetan Ginjodia: Right.

Praveen Kutty: So, we are super stingy when it comes to cost and when it comes to capital, right. But having said that, our ambition, our hunger, our growth ambition is far higher. At some point in time, we will need to get capital. What we are hoping for is, one is to take capital when it is available. The other is, to ensure that keep doing what you have been doing for the last three, four quarters, which is consistent performance, top-line as well as bottom-line. Keep doing it. Keep doing it in Q1, Q2, Q3. At some point in time, the price would reflect the actual value. And that probably is a time when we will go to the market.

Chetan Ginjodia: Got it. Perfect. Thank you. Thank you, and all the best.

Praveen Kutty: Thank you very much.

Moderator: Thank you. Next question is from the line of Suraj Das from Sundaram Mutual Fund. Please go ahead.

Praveen Kutty: Hey, Suraj, how are you?

Suraj Das: I am good, sir. How are you, sir?

Praveen Kutty: I am very good.

Suraj Das: A couple of questions. I have actually quite a few questions.

Praveen Kutty: We have all the time. You can go over all the questions.

- Suraj Das:** Right. No, I think beyond what you mentioned in terms of this MFI and DA transaction, I think there is increase in the gold slippages as well. So, anything to look into that? Or it is just probably one-off or something like that?
- Praveen Kuttly:** I would not look at it if I were you. It is hardly anything. Gold, you are talking about gold, right?
- Suraj Das:** Gold, gold.
- Praveen Kuttly:** No, no, no, not at all. It is Rs. 35 crores of NPA on a pretty large book, Page number 21. Gold book is how much? It is about almost, yes, it is a pretty large book. So, hardly anything.
- Suraj Das:** Right. No, but if I look at your slippages slide, Slide 28, so your overall slippage has increased by 4.6 basis points.
- Praveen Kuttly:** Okay. You are right. Overall slippage is 4.6, and 3.1 is the non-gold slippage. We are looking at that. So, slippage ratio is high in gold, but there it is a question of delay, because you are dealing with customers who are Rs. 2 lakhs kind of average balance. And most of these are OD customers. So, you have that November 12 circular, where if the customer does not pay, where the manual payment over the previous 90 days is less than the interest debited during the previous 90 days, then it will be deemed an NPA. So, customers, the slippage is there, but it does not result in loss rates.
- Suraj Das:** Superb, sir. Understood. And sir, when you give this number of 3.1, is this only including the retail gold or including the AIB gold as well?
- Praveen Kuttly:** Everything, everything. Basically, non-gold means non-gold.
- Suraj Das:** Okay, understood. And the second question is, sir, on the DA part, DA, and IBPC part. So, this IBPC that you have done, would it be fair to assume that it would be mostly in mortgage, because your mortgage growth this quarter is quite weak.
- Praveen Kuttly:** It is everything. And mortgage growth is not weak. I mean, it is weak compared to Q4, yes. But otherwise, it is okay, it is not something to write home about, but it is a decent thing. So, the IBPC mostly consists of secured assets. See, whichever way you look at it, 54% of the book is mortgaged. So, there will be a large component of mortgage in the IBPC also.
- Suraj Das:** Right. The reason for asking that question is, I mean, if I look at your mortgage growth quarter after quarter for last, I think, for several quarters, it has been 4% to 5% or 6% range. This quarter, it has been only flat or hardly 1% Q-o-Q growth. So, is anything changing in your view, I mean, on the mortgage book side going ahead? I think given that you are also seeing some stress on this small ticket kind of mortgage segment that you were mentioning.
- Praveen Kuttly:** Okay. On the small ticket, it is not impacting us at all in the organic side because that is not a segment that we are into, okay. We are not present there at all, so it does not impact us. But in

mortgage, in April and May, we focused more on other assets which are short-term in nature, which are fixed rate in nature, primarily to ensure that, look, in a demand and supply equation the customer is willing to give a rate.

And then within a period of, let us say, a month or even less, there is a reduction which is going to happen. And then you have to hold it for a long period of time. So, we upfronted most of April and May with short-term loans which comes up for renewal quickly, or fixed rate loans. Mortgage is pushed to the last month, where the impact of future rate cuts, at least which we consciously know, is lesser. You got that, Suraj?

Suraj Das: Right, right. I got that.

Praveen Kuttty: So, that is one point. And secondly, Q1 usually there is lower disbursal than Q4. Q4 is a, you get a much, much better thing. And that is also reflecting in the processing fees.

Suraj Das: Right, right. And sir, last question, I mean, in terms of this small ticket mortgage that you were mentioning, Rs. 5 lakh or less, that segment would be primarily sitting in an agri and inclusive banking book, right? Not in the retail, right?

Praveen Kuttty: Actually, it is a part of a DA book, so it is neither retail nor agri, so it is a bought out book. So, I actually do not know the answer where we put it. But it is not an organic book, right, it is not a self-grown book. So, the entire thing probably is sitting in -- let me ask the finance people. Is it in retail? Yes, it is put in retail, sorry. But that is immaterial to the rest of the book, right?

Suraj Das: Understood, sir. And sir, last question in terms of this mortgage, that journey that we were on, in terms of that LAP to home loan, home loan to LAP, that journey is still on or you will be saying that we are there, there in terms of incremental disbursement and outstanding book as well?

Praveen Kuttty: Why do we think that the 3 repo rate cuts is resulting only in a 9 bps reduction? A lot of it has got to do with caution deposit. A whole lot of it has got to do with the kind of assets that we have put in. Also, it has got to do with the product mix also, so there is quite a lot of LAP in this.

Suraj Das: Sure, sir. So, I mean, the mix of LAP in the outstanding book is still increasing?

Praveen Kuttty: Yes, yes, every month, month after month.

Suraj Das: Okay. Sure. Thank you, sir. That is all from me.

Praveen Kuttty: Not at all. Thanks.

Moderator: Thank you. Next question is from the Jai Mundhra of from ICICI Securities. Please proceed.

Praveen Kuttty: Hi Jai, how are you?

- Jai Mundhra:** Yes, good. I am good, sir. Thank you. Sir, few questions. First on this asset quality and DA book only. So, is that fair assume that MSI loan is given to institution, so ideally that would not have caused you trouble, right, in terms of slippages?
- Praveen Kuttu:** So, far, no, not at all.
- Jai Mundhra:** Okay. So, then if I exclude that, then Rs. 500 crores, Rs. 499 crores, Rs. 271 crores, Rs. 954 crores, Rs. 600 crores, Rs. 20 crores is roughly around Rs. 2,500 crores. This quarter we have seen slippages rising from Rs. 366 crores to Rs. 580 crores, so roughly around Rs. 200 crores plus increase. I would believe that MFI slippages would have only increased marginally, right, so a lot of this seems to be stemming from DA unsecured book, right?
- Praveen Kuttu:** Sorry, Jai, that is not a right assumption. There has been a flow through in MFI also. So, you had a MFI flow. Actually, even gold the flow was higher, even the net impact is low. There has been a higher slippage and higher recovery. But clearly across multiple lines. That is why in my commentary also I said, we are not happy with this high slippage. 4.6 is not a good slippage ratio, right? Our non-gold 3.1 is not good. We want to get it down to a 2.5 kind of level.
- Jai Mundhra:** Right. Okay. So, sir, what I am trying to understand is that, I mean, see, what we have seen is, whenever any product segment starts to show some deterioration, it does not end in one quarter until unless there are some very drastic measures that are there, or there were some event-specific things which deteriorated, right?
- So, for example, so what have you done, let us say, in the last 90 days that will make you believe that incremental credit cost will only be 40 basis points? Because it looks like what has caused the trouble in this small ticket DA, either you would have stopped them doing, that is number one, or you have some very strong recourse from the DA partners that will insulate you. Or how is it that, this is the first quarter or maybe the beginning of the deterioration in this segment, the outstanding book is also around Rs. 2,500 crores, then how do we get the confidence that incrementally it will only be 40 basis points credit cost?
- Praveen Kuttu:** So, let us go by this. One is from a slippage perspective and secondly from a credit cost perspective, okay? The confidence that which we have as management is based on the fact that the pool is small, okay. The second is, imagine a situation whereby we were not prudent and did not provide 100% on the MFI book and the unsecured DA book, we probably would have had a credit cost similar to what we had earlier. So, we would have had higher slippage and similar credit cost.
- So, credit cost, I am not considering it. Just that we had accelerated the provision, taken it to a 59 odd bps level. So, even if you had done nothing, just by not taking the incremental provision our credit cost would have been the same. That is why there is confidence that next few quarters also will be of a similar nature. So, I do not have anything.

All we have to do is not do any accelerated provision and the credit cost will remain at the kind of levels that we have. That is why we have a confidence to commit in the public what we think the future credit cost will be. So, are we doing anything special to do that? No, we are not doing anything special to do that. Normally our credit cost will be that. Anyway, we will have a discussion when the next quarter results come in, I will remember this conversation, you see what the credit costs are.

Jai Mundhra:

Right. Sir, my point is, unsecured NPA you have to provide 100% within four quarters, within a year. So, it does not matter if you accelerate, do not accelerate, within the year you have to provide if there are slippages. Now, this is the first quarter where you have seen slippages rising in the unsecured DA book. You may choose not to provide fully, but within FY '26, if there are slippages, you will have to provide 100%, right? So, I mean the point is, if the slippages does not stop, then your credit costs cannot remain at 40 basis points.

Praveen Kuttty:

Jai, only assuming that there is an unlimited quantum of unsecured DA and MFI, it is a very limited amount. We have a limited amount. So, that is why, even if the worst-case scenario if we were to estimate, it will be below 45 bps credit cost is what I am saying. Had we had a 10% or 9% or 8% unsecured DA and MFI book, then what you say probably is true. But since the universe of such loans are small, even in a worst-case scenario, if you repeat or even worsen, your credit cost will still be lower than what it otherwise is.

Are you with me? Or should I explain again?

Jai Mundhra:

Yes. No, no, that is fine. Even if the situation remains like this, you are confident that slippages, I mean, credit cost will be business as usual.

Praveen Kuttty:

If we increase by 8 bps again, if it becomes 45, we are still okay.

Jai Mundhra:

Yes. Correct. And sir, do you have any recourse? Because this would be originated through partnership when you have such, let us say, it looks like a very high-single-digit kind of a slippages here, do you have any recourse or not meaningful?

Praveen Kuttty:

Okay. We are following things which we do, and we have actually done. One is, we look at the collection efficiency of the originator. We look at whether the same customer is paying other loans and not the originator. These are things which are in our capability. And added to it, it is a question of speaking to the originator and telling them where the gaps are. But guess what, the collection focus on this will be very limited because it is a small book. We do not have that, neither do we have the ambition nor the ability to over focus on that because it is a small book.

Jai Mundhra:

Right. Okay. So, I will take that there is no recourse, right, it is a business-as-usual thing that we would have entered into?

Praveen Kuttty:

We will soon see. We will soon see because we have taken 100% provision, you will see write-backs coming through.

- Jai Mundhra:** Right. No, sir, actually I am not worried about the write-off because 175, right, I mean, we have been very miniscule write-off.
- Praveen Kuttty:** No, not write-offs. Write-backs. Whatever provision we have taken, the write-back of the provision.
- Jai Mundhra:** And sir, on the fresh stress formation at the bank level and maybe within these products, the quantum is small, maybe 5%, 6% of the overall bank. But are you seeing anything trend or, I mean, you mentioned that the slippage is able to remain here or increase also, it is under control. But I am saying, how should one look at the trajectory only? Is this like that the slippages, like in MFI, we have had last three, four quarters cycle, right, now banks are saying that the slippages from second quarter onwards should improve materially. What is your sense in this unsecured DA book, how quickly or shortly or longer can that be the cycle? If you have any comment there.
- Praveen Kuttty:** My personal opinion is that the pain in microfinance will continue. It will take at least two, three quarters. Just because overall at the industry level from 6.8 it has come down to 6.2. 6.2 itself is a big number. So, I do not know. I do not have very positive view on the microfinance industry at this point in time.
- Jai Mundhra:** Right. Sure. Okay, sir. And changing track, sir, on your cost of deposit, really a good job on the funding cost and this thing. Now you have cut the SA rate, sir, I mean, the month of July also. Any ballpark number of rupees crores saving? Because you have cut in the multiple buckets and it is very difficult for us to calculate how much interest savings would that be. If you have any ballpark number that basis the current balance this could be the
- Praveen Kuttty:** I think you should just compare the periodicity and the quantum of the rate cuts and see its impact on NIM. And you can compare it with our competition also, when a rate cut of this magnitude happens, how much is the NIM impact for competition, how much is it for us? And then look at it for this quarter, look at it for next quarter, look at it for the quarter later, you will see the efficacy of the management action coming there.
- Jai Mundhra:** No, I am not doubting that. I am saying, sir, if you have any rupees crores number for cost of savings, I mean, benefit because of the cost of saving cut across card rates.
- Praveen Kuttty:** It is recalculated, but how does it matter when the NIM is the real indicator, right?
- Jai Mundhra:** Right. Okay.
- Praveen Kuttty:** I am not even saying cost of fund or cost of deposit, the NIM is the true indicator of how that is behaving. So, see, look, you took a hit of 30 bps on yield and advances, right, and 16 bps has been covered by deposit rate cut. And just think through this, the real impact of the term deposit rate cuts you will get over a 13, 14, 15-month period only. So, what you are seeing now is only one small part of the iceberg. Because ours is a long-term term deposit, you know that. Our sweet spot in a term deposit is some 15 months or 18 months or somewhere there. So, this benefit

is going to flow through to the bank all through to Q2, Q3 of next year. So, it is a space we are closely monitoring and managing.

Jai Mundhra: So, if I were to summarize this, sir, so then assuming there is no further rate action by RBI, you are fairly confident that NIM should not deteriorate too much, should be stabilized here, right, at least in the very near-term. Is that the message? Assuming no rate cut, no rate action.

Praveen Kuttty: No, that is not the way to look at it, Jai, because in the first quarter, at different points in time we have had a rate cut. The full impact of that has not really been taken into account, because some rate cut happened on June, some happened in April, and I am giving you hypothetical dates and numbers. So, it all did not happen on April 1, so it happened at various points in time. So, for you to know, not for me to know, for you to know, it will take you one more quarter to really get to know what the full impact of the rate cut has been. And then, with every passing month or day, we see incremental benefit of TD rate cuts coming through.

Jai Mundhra: Correct. Okay. No, sir, I was saying, sir, of course there will be yield impact, and you have also cut the SA rate, and you have managed, let us say, the balance sheet, IBPC fairly well. So, the outcome should be that, if there are no more rate action from RBI, ideally, the NIM should stabilize. Is that the correct thesis or not?

Praveen Kuttty: I am saying, no, that is theoretically not correct, because you have not seen the full impact of the rate cuts, because some rate cuts had a two and a half months impact, some had a one-month impact. So, you have not had a three full months impact, because the governor has done a three-tranche rate cut. Are you with me?

Jai Mundhra: Yes.

Praveen Kuttty: Not for us, but for everybody else also, for the industry also. See, had all the rate cuts happen on April 1, what he says is true. The rate cuts happen over a period of time, the three separate rate cuts. So, the full impact of the NIM, I do not think is seen in the industry yet, but in Q2. Definitely in Q3 you will get to know the real impact of the rate cut and its impact on the yield and advances.

Jai Mundhra: Right. Understood, sir. Yes, that is it, sir. Thank you so much for answering all the questions.

Praveen Kuttty: Not at all, Jai, always a pleasure.

Moderator: Thank you. Next question is from the line of Varun from Bandhan Life. Please go ahead.

Praveen Kuttty: Hey Varun, how are you doing?

Varun Bang: I am doing fine. Thank you. Thanks for the opportunity. Just which are the areas in which employee count is falling and how should we look at it?

Praveen Kutty:

The fall in employees primarily on the frontline and the way you should look at it is that, I mean, I consider them a wrong hire, we should not have hired them in the first place. So, effectively, these are non-producers which we take time in understanding. The 45-minute interview or a one-hour interview does not allow us to see that, so we run with them for three to six months, and then after various interventions we figured out that that does not work. So, what we have done is, we have cut down hard on non-producers and have ensured that there is a revised hiring process that is been put into place, which also includes AI based on demographic details. So, we have enough goods and bads.

One good thing about this exercise is, we know the profile of the good performer, and also equally importantly the profile of the not so very good performer. Based on which we have been able to get an employee score, which we use for interviews. And now it has resulted in far more delicate cherry-picked employee hiring and greater success in terms of hiring them for frontline. So, that is the way you should be looking at it. The main cuts have all come in the frontline sales.

But we should be seeing an increase happening. We still have growth ambitions, and we cannot forever keep cutting and expect to grow. We will increase it. I do not see us being in the 10,800 kind of levels for going forward. But I remember you were in the call in September 2024 when I said we are at 11,910 people. I do not see us crossing this line either this year or next year, hold on to that.

So, maybe about 600, 700 or more people we can expect to see being hired in the company. They will be across assets and liabilities. Some of them will be for the new branches that we are opening. But the process of selection has improved significantly, and machine learning has certainly helped.

Varun Bang:

Got it. And secondly, how is our thought process evolving around branch addition? Because last couple of years, if I see, the bulk of the growth is coming from existing branch network. So, at some point, do we have to go back to branch expansion phase to maintain the growth rate? I mean, how should we look at it?

Praveen Kutty:

See, at least for some time, addition of more people to the existing branches will give us the growth that we want. So, while we are saying we will be people-centric, we will need to hire people, it makes so much of cost sense and franchise sense to have more feet on street working on the existing branches. Anyway, most of the deposits come from the 10, 12 top cities. And most of it is digital. So, why you need new branches if you want to go to newer cities?

But having said that, we expect another 25 odd branches to come in this year. Ideal number would have been 35, so that we can close the year at 500 branches. But I would tend to think that we would be closing around somewhere around 485 to 490 branches this year.

Is that critical for growth? Perhaps not. I still believe that more people in existing branches will help us grow. Unless you want to go into a completely new state, if you want to go into an Assam

or a Jammu, for instance, and put up new branches there, probably. But otherwise, we are fairly well-distributed.

And think about this, field force is what we really require because with ULI coming in, and DCB Bank is a part of Unified Lending Interface, right, land record systems are digitized in seven states so far. So, there is less and less need for paper, and the bank is going more and more towards paperless. You still will require an office space for employees to be and reach out.

So, it may make sense to have a third floor, fourth floor space where you can have retail asset folks sitting in there and soliciting customers for loans. For deposits, honestly, you do not require more branches. For fee income, third-party distribution income, we are well-represented in the big cities, we do not require. For assets, mortgages, etc., we do require. But at the present moment in time, it will be more people in existing branches, that will more than happily satisfy upwards of 20% growth demand.

Varun Bang: So, probably 5 to 10 branches on a yearly basis?

Praveen Kutty: 20 to 25, that would be a more realistic number. Last year we did about 20 branches if I remember right. And we should continue around that. 465 would look like 485 to 490.

Varun Bang: And just what would you highlight as your top priorities from next two to three years' perspective? And what are the major challenges that you see going forward for DCB?

Praveen Kutty: The number one challenge is to change the mindset. We have been playing this game like NBFC. It is high time we stopped doing that. We have been doing home loans, LAP. We have been doing CA, SA, TD. Somewhere not remembering that these are self-employed customers who have surplus needs, deficit needs, risk protection needs, and trade finance needs.

We have kind of labeled them as HL customer, LAP customers. We have been running like a fill it, shut it, forget it business. It is high time we change that. These are customers who have given their life their life's biggest aspirational assets, which is their self-occupied home as a collateral to the bank. But when he shuts down his shutters in the night and goes from his Kirana store, the surplus balance is not kept with us.

He may need some money at some point in time because of inventory reasons or because there is somebody chasing him. He takes a hand loan or takes it from an NBFC, why would not he come to us? India is a very episodic country, some earthquake happens, some fire happens, something happens, accident happens. Risk protection, not done through us. Everything that he has is either imported from China by his wholesaler or by himself, the trade transaction is not done through us.

I think it is high time that we change the way we did business in our bank to becoming a full-financial solution provider for the self-employed customer, which will cover his surplus needs,

you can read it as CA/SA. His deficit needs, you can read it as overdraft facility. His protection needs, you can call it TPD. His trade finance need, exactly trade finance.

And these customers willy-nilly will bank with us if you were to ask for it. The only problem is, organizational structurally and mindset-wise we are still in the nature of thinking customer as a product and not as a full-fledged customer who has normal needs like you and I have. And once we do that, we will be a very different bank. Because we are not concentrated in one state like many other banks, not a single state we have more than 20% representation in terms of assets.

So, we are very well-diversified. And if we just convert our mindset and that work is happening, that is my single-minded focus. The second is, we want to eliminate paper. And I am frankly allergic to paper. I believe paper is a cost for offsetters, turnaround time issues, hands-offs, cost. Paper is a sin. And I want to eradicate paper from our bank. That is my second priority in life. Apart from these two, I do not have any other priorities.

Varun Bang: Sure. Thanks for answering my question.

Moderator: Thank you. Next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

Praveen Kutty: Hi, Mahesh.

MB Mahesh: Hi, sir. How are you?

Praveen Kutty: Very good. How are you?

MB Mahesh: I am doing good, sir. Sir just kind of running through some numbers, just let me know if I am going wrong.

Praveen Kutty: Sure.

MB Mahesh: Of the 300, let us say the incremental slippages that you have done this quarter, is it fair to assume that maybe about Rs. 120 crores extra has come from the gold loan portfolio?

Praveen Kutty: It is a very difficult question to answer, Mahesh, on the spot right away. Because in gold loan what happens is, I will give you a classic example. It slips in April, we do nothing. It slips in May, we do nothing. Some of it will recover, and then it again slips in, so the April recovery will slip again in May, and then it goes back. So, you have a moment happening where up and down moment of gold loan happens. If I were to look at it, can you tell me what the co-ending slippage is?

MB Mahesh: Sorry, before you answer that, I am just going to go with your presentation numbers. 4.59% slippages for 1Q, and 3.1% excluding a gold loan. When you work the numbers backwards, using the loan base with gold loans and without gold loans, the number which comes out is

roughly about Rs. 150 crores of extra slippages as compared to the last quarter. For example, last quarter your slippages was about Rs. 78 crores in gold loans, and this quarter it is about Rs. 200 crores in gold loans. The delta in slippages, offset Rs. 215 crores, roughly about half that comes from gold loans. Is this number right or not?

Praveen Kuttu: Mahesh, the number is Rs. 196.34 crores.

MB Mahesh: Yes, okay. So, I do not have the second number, so let us go with this number. So, offset Rs. 215 crores, you said while this unsecured DA, mortgages, etc. has contributed, the delta contribution of this is roughly about Rs. 100 crores. Is that a fair way to see this?

Praveen Kuttu: Would that be fair? Yes. Once again, I will just recheck this. Yes, Rs. 190 crores is gold.

MB Mahesh: Rs. 190 crores, yes. So, roughly about Rs. 95 crores to Rs. 100 crores incrementally have come from these DA assignments, etc.

Praveen Kuttu: From the others, from all others. The surprise element for us is the secured DA.

MB Mahesh: Which is all part of this Rs. 100 crores?

Praveen Kuttu: It is part of it.

MB Mahesh: And this entire, most of it, you have provided this quarter?

Praveen Kuttu: No, no. This quarter slippage, we have taken what is required. What we have done is, all NPA stock as of March 31, which are currently NPA, is 100% taken as long as they are unsecured DA or it is MFI.

MB Mahesh: Perfect. Let us go with the next question then. See, if gold loans are seeing higher slippages, why is disbursement under gold loans also very strong this quarter? What is it that your consumers are demanding gold loans and yet slippage is high? I understand the credit cost argument.

Praveen Kuttu: So, there is a Rs. 8 crores increase in your gold loan NPA, right, Rs. 27 crores becoming Rs. 35 crores.

MB Mahesh: No, no, I am asking for, when you are seeing disbursements in gold loans being so strong for this quarter as well, and you see slippages also higher on the other side, I am seeing consumer segment is exceptionally weak today. That is all I am just trying to, just trying to coordinate what is happening.

Praveen Kuttu: There is a slippage in that segment and the repayment happens at the threat of auction, which is why the repayments are coming through and your net NPA is the way currently it is. Are you with me, Mahesh? Or should I explain again?

- MB Mahesh:** No, it is okay. I am just trying to see, is the consumer really in a very bad position and that is why you are seeing this gold loan demand going up? Just trying to correlate that part of it.
- Praveen Kuttly:** So, you should look at the slippage and the recovery, right? See, on a portfolio which is pretty large, there is an Rs. 8 crores incremental NPA happening. The gold loans, the gross NPA for gold loans has moved from Rs. 27 crores to Rs. 35 crores in the quarter, that is an Rs. 8 crores increase.
- MB Mahesh:** Perfect. Perfect, sir.
- Praveen Kuttly:** So, the right answer to your question, and there is a conjecture because I have not thought about it in that way, is that there is high slippage, high recovery happening on gold. Whereas, on unsecured DA or on MFI, similar movement back is not happening. And a lot of the reason why we will have a problem in the slippages is because of the famous November 12 circular.
- So, is it an inability of that customer, is it an inherent weakness of the customer? I would rather say it is the discipline of the customer because most of our customers come from the Muthoot's and the Manappuram's and the IIFL's, where they are looking at bullet loans which they repay, supposedly, in nine to 12 months. And then they come here, where interest servicing has to happen quite regularly, which is not something that they are quite used to. So, it takes time.
- MB Mahesh:** Okay. Thank you, sir. This is very useful.
- Praveen Kuttly:** Right.
- Moderator:** Thank you. Next question is from the line of Gaurav Kochar from MLP. Please go ahead.
- Praveen Kuttly:** Hi, Gaurav.
- Gaurav Kochar:** Yes. Thanks. Hi, sir. Good evening.
- Praveen Kuttly:** Good evening.
- Gaurav Kochar:** So, just a few questions, I think just taking cue from what Mahesh was speaking about. So, going by this, the ex-gold slippage at least, we believe, should start moderating from Q2 onwards. Bulk of it has come in this quarter. And is it fair to assume, given that the size of the book is pretty small, as you highlighted, that the trajectory of slippages should start normalizing in the coming quarters?
- Praveen Kuttly:** Yes, we believe two things. One, the slippage ratio by itself has to improve. And the second is, for the first time in many, many quarters we saw the recovery as a percentage of the fresh slippage going down to 70%. That is not something which we quite like. So, there are two areas where we are currently focused upon in Q2, from a portfolio quality perspective. One is to rein

in the fresh slippage, and the second is to improve our recovery to fresh slippage percentage also.

Gaurav Kochar: Okay. Understood. So, at least the normalized run rate of Rs. 350 crores, Rs. 400 crores that we were seeing, we should revert back to that from next quarter onwards. Is that a fair understanding?

Praveen Kutty: I am sorry, Rs. 350 crores, you are referring to us?

Gaurav Kochar: Yes. Got it. Second question is with respect to the margin. So, I understand that the rate transmission on your loan customers could have happened at different point in time in 1Q, but so has the cost of deposits. So, your deposit repricing also, at least on SA, was also done in phases in this. So, full benefit of that will also come in the second quarter.

So, the question is that the delta change that we saw, and I mean you managed in this quarter pretty well, if I go by 9 basis point kind of margin moderation. And going forward in 2Q, we believe, based on our calculations now, correct me if I am wrong, that the bulk of the benefit of your liability repricing, which is your SA repricing, will come in the second quarter. And if there are no further rate cuts in, let us say, the next quarter, is it fair to assume that the delta change that we saw in this quarter on your margins, second quarter, we should be better than this?

Praveen Kutty: I am not going to give you a yes or no answer, but I am going to give you some numbers, let us think through this. We have about Rs. 48,000 crores term deposit book, okay, and let us say Rs. 14,000 odd crores of savings book. Current account, we will leave out in the discussion, because there is no point in discussion, that is been as flat as ever. So, savings account, we have done something, and you have seen that impact happens at the exact time we impact the change.

The term deposit, typically, if you were to look at the bank's sweet spot in terms of highest rate, and that is an indicator of where quite a lot of the deposit concentration could be. It is somewhere between 15 months, 18 months, 24 months, okay? It changed over a period of time, but it is somewhere in that region.

Now imagine, over the next few months some of those 15 months will get over and will come up for repricing, every month something will come up. So, just humor me on this, instead of 48,000, for ease of calculation let us take 45,000. 45,000 divided by 15 months is 3,000, right? 3,000 will come up for renewal this month, 3,000 will come for renewal next month. Likewise, for the next 15 months, 3,000 will come up for renewal, theoretically speaking.

Each of the repricing will be at the new rate as compared to what it was 15 months back. The difference between 15-month rate, 15 months back, and the rate currently, you can either guess or you can go back to the records and find out. And that will be a good enough way for you to see how the impact will be, assuming there are no further rate cuts and no further management actions on the cost of deposit. So, that is why I said I do not want to give a yes or no answer, but this is a good way of figuring out. In fact, that is what we also do to estimate and forecast.

Gaurav Kochar: Right. So, I will try to ask this differently that of the 100 basis point rate cut that has been that RBI has done, is it fair to assume that the 75 basis point rate cut that we have done in this quarter, is it fair to assume that more than half of it is done or less than half of it is done?

Praveen Kutty: I would not be able to comment. But just look, when were the dates in which the announcement was made? That will give you some sort of indication as to what it will be. There was a 25 basis points, there was another 25 basis points and there was a 50 basis points at different points in time. So, obviously, the full impact of that has not happened in Q1, which is obviously everyone knows because June 6th is when the announcement happened. So, the full impact, you will see that happening over a period of time.

Gaurav Kochar: All right. Shifting to the disbursements in this quarter, if I look at on the mortgages, not just quarter-on-quarter but I am looking at Y-o-Y numbers, the Y-o-Y number was down in mortgages. So, is it a conscious sort of a call that because you are trying to do more of LAP within mortgages and perhaps slowing down home loan within that, is that a conscious strategy? And if that is the case, then by when do you expect the absolute number to kind of start seeing growth?

Praveen Kutty: Is it a conscious thought? Yes, it is a conscious thought, but not for the reason that you said. So, what we have done actually is that we have upfronted, or we have brought forward to Q1 short-term loans and fixed rate loans, okay, we try to do more of that. And I am not saying we want to do less of mortgage, but the whole idea was, just look at it this way. In April you do a 15-year mortgage, right, and then there is a known rate cut of 25 bps happening and another 50 bps happening in the shape, in the nearby future. Even if it is a semi-fixed loan, two years later, 75 bps will get reduced.

If the same loan, the same demand and supply prices, price is a product of economics of demand and supply, the customer is willing to pay that money. We thought that after the rate cuts have been passed fully, or after the big rate cuts have been passed fully, if you are willing to take on board the customer, then those customers do not have an impact of the rate cut. So, what the customer is willing to pay is what the customer continues to pay. So, effectively in a very crude way, most of the co-lending and gold were done in April and May, and towards June more of the mortgages were done. So, there is less of disbursal of mortgages in Q1 of this year as compared to the Q1 of the previous year.

Gaurav Kochar: Got it. So, from here on, it is correct to assume that this will pick up from second quarter onwards?

Praveen Kutty: Yes. And to your other question of LAP versus home loans, steadily we have been improving, improving is the wrong word, we have been doing more of LAP loans from a sourcing perspective. But it is a large universe, right, the percentage of a month's sourcing to the total book, it will take time for it to convert it into the total book. But for the last maybe even nine, ten months, I think three, four quarters, three quarters definitely I see an increased LAP percentage on the new sourcing.

- Gaurav Kochar:** Right, right. That is good to know. And just last question from my side, on the overall 1% ROA guidance that you have given, apart from credit cost moderating to under 40 bps, as you had guided, what are the other levers we see? I think OPEX you have controlled quite well, it is down to 2.54% on assets this quarter. Is there further dues left? And if yes, apart from credit cost, any other line item where you think we need to work on to get to that 1% ROA? And by when can we expect the 1% ROA?
- Praveen Kuttly:** So, I will tell you four parameters, two of which are within arm's length, sorry, and one which is a bit of a guesstimate, okay. So, let me take you through that. We closed NIM at 2.99% on average assets, so that is why there is a difference, right, 2.99%. I expect that to be 3.2%, okay? Fee would be, in our opinion, there will be, the one-offs will go away at some point in time. So, over the full-year, probably a 1.1% is a right number to go with. Are you with me so far?
- Gaurav Kochar:** Yes.
- Praveen Kuttly:** So, total revenue, 4.3% is a number which we think is realistic, right? I have taken a lesser fee as compared to Q1, okay? Now, cost to average assets, I think 250 is a good number to get. In reality, it will be probably even lesser than that. But let us take 250, okay? So, if you take 250, then you are at 430 minus 250 gives me 180. On 180 please reduce 45 bps, okay, you are at 135. 135 into 0.74, you are thereabouts 1, okay?
- Gaurav Kochar:** Right. Got it.
- Praveen Kuttly:** Let me complete, I will just close the loop. The only unknown variable with regard to time is the NIM, okay? The rest, I have absolutely no doubt. I think they are near there, thereabouts, some better. So, three out of the four parameters, one is very sure of.
- On the first parameter, as you can see, we are working, and we are working quite hard and we are getting some results in terms of managing the NIM, right? So, I do not want to make more forward-looking statements, but this is exactly where we want to take it to. You were in the call last year also, and we promised you that we will bring the cost to average assets below 250. I think that we are seeing that on provision costs, 45 bps is a good number to go with.
- On fees, there are a few one-timers, I know, but there may be even a few one-timers coming forward as well, that is still okay. But overall, 1.1, I think, is well within grasp. It is actually, we are ahead of the game right now, but for the full-year, 1.1 is there. The question to us is, how well can we control our cost of funds and manage the yield, get the right kind of product mix to ensure that the NIM goes back by about 21 bps from 299 of today to 320. Genuinely, is it achievable? I think so.
- Gaurav Kochar:** Right. Perfect. Perfect. Thank you so much for answering all my questions, and all the very best.
- Praveen Kuttly:** Thank you very much.

- Moderator:** Thank you. Next question is from the line of Akshay Badlani from HDFC Securities. Please go ahead.
- Praveen Kutty:** Hi, Akshay.
- Akshay Badlani:** Hi. Thank you for taking my question. So, as you were indicating that we are moving towards more short tenure and fixed book, so if you could just help with your EBLR, MCLR and fixed rate mix. And how it has changed in the past few quarters?
- Praveen Kutty:** Okay. I can tell you that has not changed much, okay, that I can tell you. But we cannot reveal what fraction is what. See, this short and long tenure discussion was primarily a pre-rate cut discussion. Now that all the rate cuts that we know of has happened already, life will go back to the normal stuff. We will still do long tenure loans. In an ideal world, we will be doing a two-year, perhaps a three-year, semi-fixed loan. It will be linked to EBLR. And that is the way life will continue because that is the way life has already been there also, we are very comfortable with it.
- This whole doing the short-term in April and May was a very tactical kind of thing, so that when it comes to renewal, we will be able to charge what the customer can pay. It will be pure economics in terms of demand of loan versus supply of loan. That is why we focused on three months, six months kind of loans.
- If you were to look at the disbursal chart, it is there in one of the investor slides. You will see that corporate loans, Rs. 1,200 crores of disbursal has happened. You may wonder, we are not very effusive in terms of corporate, we always say it will be about 10% of the asset book, etc. That is what you always get, 10%. But the fact is Rs. 1,200 crores in one quarter, look at the growth. It is a Rs. 200 crores growth. Corporate book has increased only by Rs. 200 crores.
- So, what are we doing? We are doing a short tenure kind of thing. Because when it comes to repricing, you still are able to command a decent pricing. But had it been a longer-term loan, then by law, by nature, you have to pass on 100 basis points if you are on EBLR.
- Akshay Badlani:** Got it. Okay.
- Praveen Kutty:** So, it is a very short-term tactical activity. That is not the way we will grow the bank. Our normal 50%, 54% of the book will be mortgages. SME will be the way to go. The only change I am really, really looking at and driving is to be a complete banker to the customer. That is our opportunity. Let us say some law comes in that you cannot add a new customer, we are absolutely okay, we should be able to meet our balance sheet growth numbers as well as a P&L number just by focusing within, there is so much of wealth within.
- Akshay Badlani:** Got it. And just my last question was on around the deposits. So, like a CASA has dropped to 23% now. And with the rates that we have cut, probably we will see the impact of that going

forward. So, how confident are we of still accruing that deposit volume that we need for our credit growth which is 20% or so? So, how elastic do you think our deposits are with the rates?

Praveen Kuttty:

So, it is not easy, but I am not looking at CASA per se, but we have a plan on bringing down the cost of deposit, okay? Let me give you a simple example. One-time treasury gains, there is a chance that it will not be there next year, okay? Let us assume let us play a hypothetical game, let us assume it is not there. Where will that come from, where will the incremental bottom-line come from, I do not think it will be from cost income because this year is about cost to average assets get to 250, that is the stated area. 45 bps to 55 bps provision is a stated area we are there. When the only game in town is NIM, and the biggest level we have there is the cost of deposit.

I think the bank has matured enough to attract and acquire liabilities without having to be the highest or one of the highest interest rate provider in the industry. We have reached that level of maturity is my belief. So, I really think that not for this year, but for the coming years, the '27, '28, and beyond, we would be clearly demonstrating that you do not need premium pricing to grow 20% on our kind of balance sheet size, that is an availability that we are developing.

You have seen a glimpse of it in the cost of deposit reduction in Q1. Swallow does not make a summer, but we would probably, I am also seeing it, I was closely watching it. If we continue to do to grow the same way to bring down the COD in a calibrated manner over the next few quarters, then the belief will come well within the system, as well as outside the system.

So, primarily cost of deposit reduction is a very important factor for us, we are driving it. CASA is not what CASA used to be, CASA is not a really good indicator of low-cost funds. CA probably is, but SA is not, because at the higher end, it is so easy to get large ticket term deposit equivalent lying in SA and boosting up the CASA to a higher level. I think cost of deposit is the truth, CASA are not necessarily the truth.

Akshay Badlani:

Got it. Thank you. Thanks so much for answering the question.

Praveen Kuttty:

Not at all.

Moderator:

Thank you. Next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya Khandelwal:

Yes. Hi, sir. Thanks for the opportunity.

Praveen Kuttty:

Not at all.

Aditya Khandelwal:

Yes. So, firstly, while we rationalized our employee base, so what the loan growth has been majorly coming from co-lending and assignment. So, in the last one year, if I look at your loan book, more than 50% of the growth has been contributed by co-lending and assignment. So, just wanted to understand, are we really seeing improved productivity? Because you do not need many employees to grow your co-lending and assignment book. And now as you grow your

organic book, would OPEX costs now mirror loan growth, or they would be lower than advances growth?

Praveen Kuttu:

That is not necessarily true. In fact, I would like you to re-look at that. On a small base, co-lending has increased year-on-year about 1.5x. That I completely agree with you. But our organic growth has been significantly high. What you can do is, which page can we look at?

Page number 21 is a good indicator for you. You can have a look at it and you can compare it with what we gave in the corresponding quarter. You will see that there is a significant increase, much more than significant increase in organic book growth. And that is where the benefit is coming from. Co-lending book, it is a good book to have, but that does not drive our campaign. Okay, leave that aside. Our co-lending book, at the end of the year, will be 15% or less of the total asset book. So, 85% will be non-co-lending, normal organic kind of book. And co-lending will be about 15% odd.

Aditya Khandelwal:

Understood. And now, yes, so, and now one of our steps to improve our NIMs and ROA was to improve the share of working capital and OD loans. But now if I look at the SME book, that has been stagnant for a year, year-and-a-half. We have talked about the advantages of OD product. As I was saying, it cannot be offered by competitors NBFCs. So, ideally, the scale should have been quite fast in this segment, but that does not seem to be happening for us. So, if you could just help us understand what issues are we facing in scaling this SME book, and when do you see it picking up?

Praveen Kuttu:

Okay. So, it is not a vertical takeoff. So, effectively, I know we have been speaking about this, we have hired a person who is looking at the SME segment, who is also going to look at a segment of Rs. 3 crores to Rs. 10 crores, because a lot of customers in SME is graduating to a higher exposure level, and we saw that there is a gap where our corporate banking is too big for the customer to come into, and our MSME book is not equipped enough to handle it.

So, because of the erosion happening, that is a gap which we want to fill in, and so that area is going to see an action coming, we have a full-fledged team, six city locations where Rs. 3 crores to Rs. 10 crores of fully secured SME will be handled. So, that erosion, because of exposure, will go away, that is number one.

Number two is that we have changed the structure in the company to ensure that close to 100,000 plus mortgage customers are being given an OD facility, out of the 100,000 odd people, the eligible customers are being given an OD facility. So, it may not come in the SME book at all, because it is a separate book by itself. So, it will come in mortgages itself.

So, there are different action plans happening. I am happy with the speed of growth, I am not very happy with it, that is why in the previous, if you heard that when I spoke to a previous person, when he asked me what are my three priorities, I could tell them only two. One is to get this moving, it is not easy because anybody you hire from the market or anybody who's in the

system are a product of the system which is a vertical field, which is based on I am a LAP RM, I am an HL RM, no one looks at it as a RM for a self-employed.

So, it is taking time, I do not see that giving us big results right away, but over a five year-time frame, that will be bigger than the mortgage book that we currently have. It is a huge preposition, it will take its own time, and if you were to take a 10-year view of the bank, this would be the game changer for the bank.

Aditya Khandelwal: Understood. Thank you, sir. And also, one question on construction finance, so we have not seen strong growth in this book for the last few quarters, so if you could just elaborate what is attracting you to this segment, and what kind of controls are we building here, because I believe these would be bulky loans, as against our focus on more granular loans. So, how are you trying to balance the risk and return in this segment?

Praveen Kutty: So, we have built up this capability over a period of time, we are very comfortable with the levels of NPA, the level of DCCO in this particular segment. The construction finance book that we have is primarily looking at a smaller ticket size compared to our kind of loans. Sorry, can I ask you, are you in Bombay or elsewhere?

Aditya Khandelwal: I am in Bombay.

Praveen Kutty: You are in Bombay, right? So, the kind of construction finance that we do is similar to a South Bombay home loan, okay? Genuinely. I know you are trying to joke. So, these are peak exposure about Rs. 10 crores, Rs. 12 crores, which is typically what a Bombay single home loan will look like. We have an expertise in it. These are in the periphery where we enter at a stage where there is comfort.

One-off cases, we have NPAs we work out of it, but there is an expertise we built over a six-, seven-year period. We have been through two credit cycles. We have been through pandemic with this CF book. Comfortable with it. There is expertise in sourcing and also in remedial management. Our recoveries of NPAs within the CF book has been decent. So, I am bullish about it. Would be happy to even to get the book to grow by, let us say, 30% odd. It is something which we are reasonably comfortable with.

Aditya Khandelwal: Thank you, sir. So, just last two questions. First, on the funding infusion by the parent, what is the status? And secondly, sir, PSLC income. So, we had good amount of PSLC income coming two years back. So, do you expect it to come going forward? So, how's the market for PSLC?

Praveen Kutty: The PSLC for small farmer, marginal farmer is good, but we are not in surplus. So, it is more a pain area for us than a happy area. So, on general PSL, the demand is pretty low because most people have it. There is not too much of money made on it. Even on agri PSL, it is better than general PSL, but on agri PSL, the rates are not something which can give you substantial fee income.

But on the small farmer, marginal farmer, definitely there is an opportunity. Do you want to grow your microfinance book at this point in time for that opportunity? Perhaps not. So, if you were to ask in the short-term, are we going to get some PSLC income? Do not think so for the rest of the year or even for the next year.

Aditya Khandelwal: Okay. And sir, fund infusion by the parent, what is the status?

Praveen Kutty: Okay. We had to submit, okay. Let me tell you the full story. We had submitted a whole host of papers to Reserve Bank of India, and at that time, we had the untimely and unfortunate demise of the key individual behind the promoter company. The promoter company being Aga Khan Fund for Economic Development.

And the key person behind it was the Aga Khan, Aga Khan the IV. He passed away last year, and then there was a succession, the new Aga Khan has come in. So, we had to redo the entire process, we completed the full set of activity, now the ball is in the Reserve Bank's court, they are expecting approval to come in. Hopefully, before our next conference call of September results, we should not only have the approval but also have the moneys in hand.

It is a small number, but it is a good symbolic thing to happen because it will be the first time in close to 20-odd years that the promoter is infusing money. And secondly, it probably will take the promoter contribution to above 15%, both of which are symbolically a big thing.

Aditya Khandelwal: Awesome. Thanks for answering my questions, sir.

Praveen Kutty: Not at all.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we will take this as the last question for the day. I would now like to hand the conference over to Mr. Praveen Kutty for the closing comments.

Praveen Kutty: Thank you very much. Thank you for all those questions, relevant, all as usual, relevant, thought-provoking. I hope we have been able to provide you with candid answers on all the questions that you asked. If you still have any doubts on questions, feel free to email or reach out to Meenakshi, Ajit, Ravi, or me. Happy to answer. If you want to kind of chew over this and come back, happy to answer any questions that you may have, provided they are not UPSI with a caveat.

So, look forward to the next meeting in about three-odd months' time. And if you meet up in any of the analyst meets, you could come back with any of the questions that you probably have on our account. Thank you very much. Look forward to meeting you. Bye-bye.

Moderator: Thank you, sir. On behalf of DCB Bank, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.